



PUBLIC DISCLOSURE

October 5, 1998

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Bank Midwest, Minnesota Iowa, N.A.
Charter # 13095
118 Downtown Plaza
Fairmont, Minnesota 56031

Comptroller of the Currency
Minneapolis West Field Office
920 Second Avenue South, Suite 800
Minneapolis, Minnesota 55402-3393

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Bank Midwest, Minnesota Iowa, N.A.**, Fairmont, Minnesota, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of **October 5, 1998**. This evaluation is based on information since the last CRA examination dated September 26, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

- The bank lends to farms of all different sizes.
- The level of lending to borrowers of different income levels is reasonable based on our sample of consumer lending activities.
- The bank's loan-to-deposit ratio is above most competing banks at 83% as of June 30, 1998. The bank's average loan-to-deposit ratio for the last nine quarters is 81%.
- A substantial majority of the loans are extended within the bank's three assessment areas.

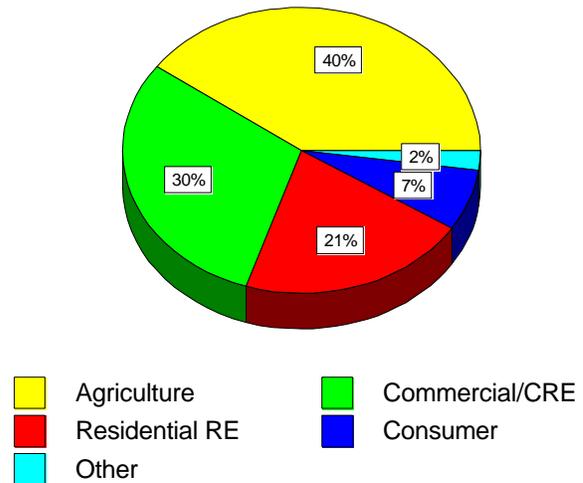
DESCRIPTION OF INSTITUTION

Bank Midwest (BMW), Minnesota Iowa, N.A. is a \$224 million bank headquartered in Fairmont, MN. BMW is owned by Goodenow Bancorporation, Okoboji, IA, a one-bank holding company. The bank operates one branch in Jackson, MN, and three branches in Iowa located in Armstrong, Okoboji, and Wall Lake. Three automatic teller machines (ATMs) are located in Fairmont and two in Jackson. All five ATMs are located in retail stores. The bank merged with Bank Midwest of Okoboji on June 1, 1997.

BMW offers a full range of retail and commercial banking products. As of June 30, 1998, net loans represented 69% of total assets. As the graph illustrates, agriculture loans represent the largest segment of the portfolio. The bank also sells fixed rate mortgages to two investors.

No financial or legal constraints impede the bank's ability to meet community credit needs. The type and amount of CRA activities are consistent with the bank's size, financial capacity, and local economic conditions. The bank's prior CRA rating, dated September 26, 1996, was "Satisfactory Record of Meeting Community Credit Needs."

Loan Portfolio Composition



DESCRIPTION OF ASSESSMENT AREAS

Assessment Area #1: This assessment area (AA) is in south central Minnesota. It consists of the southern section of Martin County where the Fairmont office is located and the eastern section of Jackson County where the Jackson office is located. The AA includes Block Numbering Areas (BNAs) 9902 through 9906 in Martin County and BNAs 9801 and 9804 in Jackson County. This is a contiguous area and meets the requirements of the regulation.

Martin and Jackson Counties are non-Metropolitan Statistical Areas (MSA). Based on the non-MSA median family income for Minnesota in 1990, all seven BNAs are middle income. The economy is primarily based on agriculture, with some manufacturing and other service-related businesses and retail stores. Economic conditions have remained stable; however, low grain and livestock prices may adversely impact the AA. The unemployment rate is similar to the national average at 4.8%. The bank has not arbitrarily excluded any low- or moderate-income areas.

The combined population of Martin and Jackson County BNAs in the bank's AA as of the 1990 census was approximately 26,000. The updated non-MSA median family income in Minnesota for 1998 is \$40,500. Census information on family incomes aggregated for this AA indicated that 17% of families were considered low, 19% moderate, 27% middle, and 37% upper income.

Assessment Area #2: This AA is in northern Iowa, directly south of AA #1. It consists of Dickinson County BNAs 9501 through 9508, all of Emmet County with BNAs 9701 through 9704, and Kossuth County BNAs 9501, and 9503 through 9506. All BNAs in this AA are middle income, with the exception of 9503 and 9504 in Dickinson County which are upper income. This is a contiguous area and meets the requirements of the regulation.

These counties are also in a non-MSA. This AA is serviced by the Okoboji and Armstrong branches. The combined population of the BNAs in this AA as of the 1990 census was approximately 38,000. The updated non-MSA median family income in Iowa for 1998 is \$41,200. Census information on family incomes aggregated for this AA indicated that 17% of families were considered low, 21% moderate, 29% middle, and 33% upper income.

The Armstrong economy is primarily agriculture based, with some manufacturing, service-related businesses and retail stores. Economic conditions have remained stable; however, low commodity prices may have an adverse impact. The Okoboji economy is resort/recreation driven. The Okoboji office's primary loan products are residential real estate and business loans.

Assessment Area #3: This AA is in central Iowa, approximately 50 miles south of AA #2. It consists of BNA 9701 in Crawford County and all of Sac County with BNAs 9801 through 9804. All BNAs in this AA are middle income. This is a contiguous area and meets the requirements of the regulation.

These counties are also in a non-MSA. This AA is serviced by the Wall Lake office. The combined population of the BNAs in this AA as of the 1990 census was approximately 14,600. The updated non-MSA median family income in Iowa for 1998 is \$41,200. Census information on family incomes aggregated for this AA indicated that 20% of families were considered low, 23% moderate, 27% middle, and 30% upper income. This AA is also somewhat reliant upon the agriculture industry.

There are nineteen other competitive financial institutions in the three assessment areas. These institutions range in size from \$9,357,000 to \$207,470,000 in total assets as of June 30, 1998.

During this evaluation, we reviewed information obtained through community contacts made by representatives of the Comptroller of the Currency and Federal Reserve Banks during 1997 and year-to-date 1998. We also contacted a local religious organization during this review. Community contacts have indicated the needs of the community are primarily residential real estate, home improvement, and small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes:

The bank demonstrates satisfactory performance. The bank's primary product lines are agricultural lending by dollar volume and consumer loans by number of loans. Our review of agriculture-related and consumer loans originated in 1998 revealed that loans are extended to farms of all revenue sizes and to consumer borrowers of all income levels, including low- and moderate-income borrowers.

Agriculture Loans. The bank extended 943 farming-related loans totaling \$33,546,000 from July 1, 1997, through June 30, 1998. We reviewed 65 agriculture loans made during 1998 to determine the size of farms being served. The following table reflects the distribution of farming-related loan originations by size of annual revenues within the assessment areas.

Distribution by Farm Gross Revenue

	Under \$100M		\$100M- \$250M		\$250M- \$500M		\$500M- \$1MM		Over \$1MM	
#	21	33%	19	30%	9	14%	6	9%	9	14%
\$ (000's)	649	16%	657	16%	912	23%	510	13%	1,277	32%

Based on 1990 business demographic data, most farms in the bank's AA have revenues of less than \$1,000,000.

Consumer Loans. The bank extended 1,738 consumer loans totaling \$10,439,000 during the evaluation period. We reviewed 93 consumer loans granted in 1998 to determine the level of lending to borrowers of different income levels. As reflected in the following table, low- and moderate-income borrowers receive a majority of the number of consumer loans originated.

Consumer Loans by Borrower Income Level

	# of Loans	% of Loans #	Loan \$	% of Loans \$	% of Families by Income Level
<i>Low Income</i>	42	45%	164,379	29%	18%
<i>Moderate Income</i>	20	22%	96,196	17%	21%
<i>Middle Income</i>	16	17%	121,275	22%	28%
<i>Upper Income</i>	15	16%	180,135	32%	34%

The bank provides residential real estate loans internally and sells long-term fixed-rate financing to two mortgage companies. Also, in July 1998 the bank became a member of the Affordable Housing Program which is designed to assist in the development of affordable housing for low- and moderate-income households. Two loans have closed and two loans are in the process of closing at this time.

Loan-to-Deposit Ratio:

The bank’s loan-to-deposit ratio meets the standards. The loan-to-deposit ratio as of June 30, 1998, was 83%. The bank’s average loan-to-deposit ratio for the nine quarters since the previous CRA evaluation was 81%. The loan-to-deposit ratio grew during that period from 77% to the present 83%. The loan-to-deposit ratios of competitor banks ranged from 10% to 93% as of June 30, 1998. Five of the nineteen competitor banks’ loan-to-deposit ratios exceeded the bank’s ratio. These banks are considered similarly situated institutions as they are all community banks in rural communities, where agriculture is an important part of the economy.

Lending in the Assessment Areas:

A majority of the bank’s loans are within its assessment areas. This conclusion is based on a bank-prepared report for all types of loans originated from June 30, 1997, through June 30, 1998. This information on the bank’s report appeared accurate based on limited testing we performed.

**Percentage of All Loans Originated
by Number of Loans Within the Assessment Areas**

	Number of Loans Originated	Number of Loans in Assessment Areas	% of Loans by #
<i>Farm Loans</i>	943	849	90%
<i>Business Loans</i>	467	419	90%
<i>Residential RE Loans</i>	264	250	95%
<i>Consumer Loans</i>	3,429	3,117	91%
Total	5,103	4,635	91%

Geographic Distribution of Loans:

A geographic analysis was not performed as all geographies in the assessment areas are middle and upper income.

Response to Complaints:

No complaints were received during the evaluation period.

Compliance with Antidiscrimination Laws:

In conjunction with the CRA evaluation, we performed a Fair Lending examination which included a review of the bank's compliance with the Equal Credit Opportunity Act and the Fair Housing Act. No substantive violations of these antidiscrimination laws and regulations were identified.

STATE OF MINNESOTA RATING

The CRA rating for Minnesota is **Satisfactory**.

- The bank lends to farms of different sizes.
- The level of lending to borrowers of different income levels is reasonable based on our sample of consumer lending activities.
- A substantial majority of the loans are extended within the bank's Minnesota assessment area (AA).

Description of Bank's Operations in the State:

The bank's operations in Minnesota include the main office in Fairmont and a branch office in Jackson. This AA consists of the southern section of Martin County where the Fairmont office is located and the eastern section of Jackson County where the Jackson office is located. It includes Block Numbering Areas (BNAs) 9902 through 9906 in Martin County and BNAs 9801 and 9804 in Jackson County. This is a contiguous area and meets the requirements of the regulation.

Martin and Jackson Counties are non-Metropolitan Statistical Areas (MSA). Based on the non-MSA median family income for Minnesota in 1990, all seven BNAs are middle income. The area is primarily based on agriculture, with some manufacturing and other service-related businesses and retail stores. Economic conditions have remained stable; however, low grain and livestock prices may have an adverse impact on the AA. The bank has not arbitrarily excluded any low- or moderate-income areas.

The combined population of Martin and Jackson County BNAs in the bank's AA as of the 1990 census was approximately 26,000. The updated non-MSA median family income in Minnesota for 1998 is \$40,500. Census information on family incomes aggregated for this AA indicated that 17% of families were considered low, 19% moderate, 27% middle, and 37% upper income.

Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes:

Our review of agriculture-related and consumer loans originated in 1998 revealed that loans are extended to farms of all revenue sizes and to consumer borrowers of all income levels, including low- and moderate-income borrowers.

The following table reflects the distribution by farm revenue of a sample of 36 agriculture loans that originated in 1998.

State of Minnesota - Distribution by Farm Gross Revenue

	Under \$100M		\$100M- \$250M		\$250M- \$500M		\$500M- \$1MM		Over \$1MM	
#	12	34%	9	26%	5	14%	5	14%	4	12%
\$ (000's)	407	17%	447	18%	649	27%	451	18%	484	20%

The following table is based on a sample of 36 consumer loans originated in 1998.

State of Minnesota - Consumer Loans by Borrower Income Level

	# of Loans	% of Loans #	Loan \$	% of Loans \$	Family Breakdown by Income
<i>Low Income</i>	17	47%	79,473	37%	17%
<i>Moderate Income</i>	8	22%	40,859	19%	19%
<i>Middle Income</i>	6	17%	39,511	18%	27%
<i>Upper Income</i>	5	14%	56,624	26%	37%

STATE OF IOWA RATING

The CRA rating for Iowa is **Satisfactory**.

- The bank lends to farms of different sizes.
- The level of lending to borrowers of different income levels is reasonable based on our sample of consumer lending activities.
- A substantial majority of the loans are extended within the bank's Iowa assessment areas (AA).

Description of Bank's Operations in the State:

The bank's operations in Iowa consist of three branch offices, located in two separate AAs.

The first AA is in the northern portion of Iowa, directly south of the Minnesota AA. It consists of Dickinson County BNAs 9501 through 9508, all of Emmet County with BNAs 9701 through 9704, and Kossuth County BNAs 9501, and 9503 through 9506. All BNAs in this AA are middle income, with the exception of 9503 and 9504 in Dickinson County which are upper income. This is a contiguous area and meets the requirements of the regulation.

These counties are in a non-Metropolitan Statistical Area (MSA). This AA is serviced by the Okoboji and Armstrong branch offices. The combined population of the BNAs in this AA as of the 1990 census was approximately 38,000. The updated non-MSA median family income in Iowa for 1998 is \$41,200. Census information on family incomes aggregated for this AA indicated that 17% of families were considered low, 21% moderate, 29% middle, and 33% upper income.

The area around the Armstrong office is primarily based on agriculture, with some manufacturing and other service-related businesses and retail stores. Economic conditions have remained stable; however, low grain and livestock prices may have an adverse impact on the community. The Okoboji office's primary lending focus is residential real estate and business loans. The Okoboji economy is resort/recreation driven.

The second AA is in central Iowa. Approximately 60 miles southwest of the Okoboji branch is the Wall Lake branch that services BNA 9701 in Crawford County and all of Sac County with BNAs 9801 through 9804. All these BNAs are middle income. This is a contiguous area and meets the requirements of the regulation.

These counties are also in a non-MSA. The combined population of the BNAs in this assessment area as of the 1990 census was approximately 14,600. Census information on family incomes aggregated for this assessment area indicated that 20% of families were considered low, 23% moderate, 27% middle, and 30% upper income. This area is also somewhat reliant upon the farming industry.

Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes:

Our review of agriculture-related and consumer loans originated in 1998 reveals that loans are extended to farms of all revenue sizes and to consumer borrowers of all income levels, including low- and moderate-income borrowers.

Based on a sample of 29 loan files, the following table shows the distribution of farming-related loan originations by size of annual revenues within the AA in Iowa:

State of Iowa - Distribution by Farm Gross Revenue

	Under \$100M		\$100M-\$250M		\$250M-\$500M		\$500M-\$1MM		Over \$1MM	
#	9	31%	10	35%	4	14%	1	3%	5	17%
\$ (000's)	242	15%	210	13%	263	17%	59	4%	793	51%

Based on a sample of 57 consumer loan files, the following table reflects the distribution of consumer loan originations among borrowers of different income levels within the AA in Iowa:

State of Iowa - Consumer Loans by Borrower Income Level

	# of Loans	% of Loans #	Loan \$	% of Loans \$	Family Breakdown by Income
<i>Low Income</i>	25	44%	84,906	24%	18%
<i>Moderate Income</i>	12	21%	55,337	16%	21%
<i>Middle Income</i>	10	18%	81,764	24%	28%
<i>Upper Income</i>	10	17%	123,511	36%	33%